

TUCKER
ARENSBERG, P.C.
ATTORNEYS

0100530054

Henry S. Pool (412) 594-5522

February 20, 1995

Mr. Vernon Williams, Secretary
Interstate Commerce Commission
12th and Constitution Avenue N.W.
Washington, D.C. 20423

19252-A
FEB 21 1995 PM

Dear Mr. Williams:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The document is a Collateral Assignment and Agreement (Locomotive Leases) dated as of February 16, 1995.

The names and addresses of the parties to the documents are as follows:

Assignor: MK Rail Corporation
1200 Reedsdale Street
Pittsburgh, Pennsylvania 15233

Assignee: PNC Bank, National Association, as Agent
One PNC Plaza
Fifth Avenue and Wood Street
Pittsburgh, Pennsylvania 15265
Attention: Gregory A. Steve

Type of Equipment Covered: Locomotives

Type of Instrument: Operating Leases

1. Locomotive Lease Agreement dated January 26, 1995 by and between MK Rail Corporation, a Delaware corporation and Canadian American Company, a Maine corporation concerning the lease of five locomotives.

Locomotives subject to lease:

<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
GP40	D115	MKCX 4301	34852	MKCX
GP40	D115	MKCX 4302	36170	MKCX
GP40	D115	MKCX 4303	37193	MKCX

1500 ONE PPG PLACE PITTSBURGH, PENNSYLVANIA 15222 412-566-1212 FACSIMILE 412-594-5619

Airport Professional Office Center 1150 Thorn Run Road Extension Moon Township, Pennsylvania 15108 412-262-3730
Harrisburg Office 116 Pine Street Harrisburg, Pennsylvania 17101 717-238-2900

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GP40	D115	MKCX 4304	31797	MKCX
GP40	D115	MKCX 4305	38567	MKCX

2. Lease Agreement to be entered into between MK Rail Corporation and MK Rail de Mexico, a Mexican corporation concerning the lease of thirty-three locomotives.

Locomotives subject to lease:

<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
SD40	D125	MKCX 9402	32097	MKCX
SD40-2	D125	MKCX 9408	32422	MKCX
SD40	D125	MKCX 9409	37651	MKCX
SD40	D125	MKCX 9410	37652	MKCX
SD40	D125	MKCX 9413	31951	MKCX
SD40	D125	MKCX 9414	37144	MKCX
SD40	D125	MKCX 9416	36810	MKCX
SD40	D125	MKCX 9417	36816	MKCX
SD40	D125	MKCX 9419	34968	MKCX
SD45	D126	MKCX 9504	33868	MKCX
SD45	D126	MKCX 9506	33849	MKCX
SDP45	D226	MKCX 9510	36659	MKCX
SDP45	D226	MKCX 9511	36660	MKCX
SDP45	D226	MKCX 9515	36882	MKCX
SDP45	D226	MKCX 9516	36885	MKCX
SD45	D126	MKCX 9518	34167	MKCX
SD45	D126	MKCX 9520	37722	MKCX
SD45	D126	MKCX 9521	37725	MKCX
SD45	D126	MKCX 9522	37726	MKCX
SD45	D126	MKCX 9523	37729	MKCX
SD45	D126	MKCX 9524	37734	MKCX
SD45	D126	MKCX 9525	37735	MKCX
SD45	D126	MKCX 9526	33657	MKCX
SD45	D126	MKCX 9527	38366	MKCX
SD45	D126	MKCX 9528	35478	MKCX
SD45	D126	MKCX 9530	37124	MKCX
SD45	D126	MKCX 9532	35489	MKCX
SD45	D126	MKCX 9534	35525	MKCX
SD45	D126	MKCX 9535	32515	MKCX
SD45	D126	MKCX 9536	32553	MKCX
SD45	D126	MKCX 9538	32085	MKCX

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SD45	D126	MKCX 9539	32069	MKCX
SD45	D126	MKCX 9541	32532	MKCX

3. Locomotive Lease Agreement dated April 1, 1994, by and between MK Rail Corporation, a Delaware corporation and The Achison, Topeka and Santa Fe Railway Company, a Delaware corporation concerning the lease of thirty-four locomotives.

Locomotives subject to lease:

<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
SD45	D126	ATSF 5348	32543	Santa Fe
SD45	D126	ATSF 5353	32540	Santa Fe
SD45	D126	ATSF 5356	32062	Santa Fe
SD45	D126	ATSF 5357	32536	Santa Fe
SD45	D126	ATSF 5359	32519	Santa Fe
SD45	D126	ATSF 5361	32067	Santa Fe
SD45	D126	ATSF 5365	32512	Santa Fe
SD45	D126	ATSF 5366	32508	Santa Fe
SD45	D126	ATSF 5367	32534	Santa Fe
SD45	D126	ATSF 5369	32083	Santa Fe
SD45	D126	ATSF 5370	32082	Santa Fe
SD45	D126	ATSF 5371	32497	Santa Fe
SD45	D126	ATSF 5372	32495	Santa Fe
SD45	D126	ATSF 5373	36500	Santa Fe
SD45	D126	ATSF 5375	36491	Santa Fe
SD45	D126	ATSF 5376	36493	Santa Fe
SD45	D126	ATSF 5501	32557	Santa Fe
F45	D126	ATSF 5951	34037	Santa Fe
F45	D126	ATSF 5954	34040	Santa Fe
F45	D126	ATSF 5961	34047	Santa Fe
F45	D126	ATSF 5964	34050	Santa Fe
F45	D126	ATSF 5966	34052	Santa Fe
F45	D126	ATSF 5967	34053	Santa Fe
F45	D126	ATSF 5971	34057	Santa Fe
F45	D126	ATSF 5973	34059	Santa Fe
F45	D126	ATSF 5974	34060	Santa Fe
F45	D126	ATSF 5978	34064	Santa Fe
F45	D126	ATSF 5979	34065	Santa Fe
F45	D126	ATSF 5980	34066	Santa Fe
F45	D126	ATSF 5984	34070	Santa Fe

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F45	D126	ATSF 5986	34072	Santa Fe
F45	D126	ATSF 5987	34073	Santa Fe
F45	D126	ATSF 5988	34074	Santa Fe
F45	D126	ATSF 5989	34075	Santa Fe

4. Locomotive Lease Agreement dated by and between MK Rail Corporation, a Delaware corporation and The Achison, Topeka and Santa Fe Railway Company, a Delaware corporation concerning the lease of ten locomotives.

Locomotives subject to lease:

<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
SD45	D126	ATSF 5349	32562	Santa Fe
SD45	D126	ATSF 5355	32524	Santa Fe
SD45	D126	ATSF 5358	32509	Santa Fe
SD45	D126	ATSF 5364	32535	Santa Fe
SD45	D126	ATSF 5368	32531	Santa Fe
SD45	D126	ATSF 5374	36499	Santa Fe
F45	D126	ATSF 5957	34043	Santa Fe
F45	D126	ATSF 5977	34063	Santa Fe
F45	D126	ATSF 5983	34069	Santa Fe
F45	D126	ATSF 5985	34071	Santa Fe

5. Locomotive Lease Agreement dated May 1, 1991 between Morrison Knudsen Corporation, an Ohio corporation ("MKC") and Utah Railway Company, a Utah corporation, which Locomotive Lease Agreement was assigned by MKC to MK Rail Corporation, a Delaware corporation ("MK Rail") pursuant to the Transfer Agreement dated as of February 25, 1994 by and between MKC and MK Rail, as such Locomotive Lease Agreement pertains to the locomotives described below.

Locomotives subject to assigned lease:

<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
F45	D126	MKCX 5531	34046	MKCX
SD45M	D126	URC 9012	7391-1	MKCX

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A fee of \$21 is enclosed. Please return the original copy not needed by the Interstate Commerce Commission to the undersigned at 1500 One PPG Place, Pittsburgh, Pennsylvania 15222.

This document is a collateral assignment of leases granting to PNC Bank, National Association, as Agent, a security interest in the lessor's locomotive leases relating to 84 locomotives owned by MK Rail Corporation and leased to railroads. The Collateral Assignment secures, in part, the obligations of MK Rail Corporation and certain of its subsidiaries in a principal amount not to exceed \$50,000,000. Such obligations are incurred under a Revolving Credit and Letter of Credit Issuance Agreement and a companion Receivables Purchase Agreement, each dated as of September 30, 1994, as amended to date and as may be further amended.

Very truly yours,

Tucker Arensberg, P.C.,
counsel for PNC Bank, National
Association

By: 

Henry S. Pool, Esquire

19252 -A
RECORDATION NO. FEB 21 1995 1:42 PM

COLLATERAL ASSIGNMENT AND AGREEMENT

COLLATERAL ASSIGNMENT AND AGREEMENT dated as of February 16, 1995 (this Collateral Assignment and Agreement, together with all amendments, modifications, supplements, renewals or replacements, thereof or thereto, including without limitation any Supplemental Collateral Assignment, as hereinafter defined, is referred to herein as this "Collateral Assignment") by and between MK RAIL CORPORATION, a Delaware corporation having an office and place of business at 1200 Reedsdale Street, Pittsburgh, Pennsylvania 15233 ("Debtor") and PNC BANK, NATIONAL ASSOCIATION, a national banking association, having an office and place of business at One PNC Plaza, Pittsburgh, Pennsylvania 15265, as agent (in such capacity, the "Agent") for the Lenders (as defined below) and the L/C Issuer (as defined below).

WITNESSETH:

WHEREAS, pursuant to that certain Revolving Credit and Letter of Credit Issuance Agreement dated as of September 30, 1994, as amended (the Revolving Credit and Letter of Credit Issuance Agreement, as amended, and all additional extensions, renewals, amendments, substitutions or replacements thereto referred to herein as the "Credit Agreement") by and among the Debtor, TOUCHSTONE, INC., a Tennessee corporation, MK ENGINE SYSTEMS COMPANY, INC., a New York corporation, MOTOR COILS MANUFACTURING CO., a Pennsylvania corporation, POWER PARTS COMPANY, a Nevada corporation and CLARK INDUSTRIES, INC., an Illinois corporation, as the borrowers (collectively, the "Loan Parties"), and the financial institutions which are a signatory (now or in the future) to such agreement as a lender (such a party herein referred to as a "Lender"; and collectively as the "Lenders"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association, in the capacity of the issuer of certain letters of credit under the terms of the Credit Agreement (in such capacity, the "L/C Issuer"), and the Agent, as agent for the Lenders and the L/C Issuer, the Lenders agreed to commit to lend to the Loan Parties on a revolving credit basis, upon the terms and conditions set forth in the Credit Agreement, an amount not to exceed FIFTY MILLION DOLLARS (\$50,000,000.00), and the L/C Issuer agreed to issue certain letters of credit, from time to time, for the account of one or more of the Loan Parties with an aggregate stated amount not to exceed TWENTY MILLION DOLLARS (\$20,000,000.00); and

WHEREAS, in compliance with the provisions of the Credit Agreement, and in order to provide further security for the Lender Obligations (as defined in the Credit Agreement) and as an inducement to the Lenders, the L/C Issuer and the Agent to provide the credit accommodations set forth in the Credit Agreement and the other Transaction Documents, the Debtor has

agreed to assign all its right, title and interest in and relating to all lease agreements entered into by Debtor providing for the lease of any locomotive held by Debtor to any third party intended for use in any manner relating to interstate commerce, including without limitation those lease agreements described on Schedule 1 hereto together with those lease agreements described from time to time on schedules to Supplemental Collateral Assignments (as such term is defined below) (collectively referred to herein as the "Assigned Agreements"), which Assigned Agreements initially concern the lease of 84 locomotives specifically identified on Schedule 2 hereto and incorporated herein by reference, and will concern the lease of locomotives specifically identified from time to time on schedules to Supplemental Collateral Assignments;

WHEREAS, Debtor has good and marketable right, title and interest in and to all the property which is subject to this Collateral Assignment; and

WHEREAS, each of the terms used herein (including the preamble and these recitals to this Collateral Assignment) as a defined term which is not defined herein but which is defined in the Credit Agreement shall have the meaning herein ascribed to such term in the Credit Agreement.

NOW, THEREFORE, in consideration of the premises (each of which is hereby incorporated by reference) and with the intent of being legally bound hereby, and for the purpose of securing the payment and performance of the following (individually and collectively, the "Secured Obligations"):

(i) the Lender Obligations of the Debtor and the other Loan Parties including but not limited to the indebtedness, liabilities and obligations of Debtor and the other the Loan Parties evidenced by and set forth in:

(a) the Notes, including, but not limited to, the payment of the Notes (including all advances heretofore and hereafter made and evidenced by the Notes) and interest thereon, as well as the reimbursement of any sums advanced by a Lender or which may otherwise be payable to, or recoverable by, a Lender (including but not limited to collection costs), according to the provisions and conditions of the Notes, as one or more may be extended, renewed, amended, restated, substituted or replaced from time to time (the Notes as one or more may be extended, renewed, amended, restated, substituted or replaced from time to time are hereinafter referred to individually as a "Note" and collectively as the "Notes"), the terms and provisions

of the Notes being specifically incorporated herein by reference thereto;

(b) the Letters of Credit, including, but not limited to, the payment of all accrued and unpaid Letter of Credit Fees payable in connection with such Letters of Credit in accordance with the terms of the Credit Agreement, and the reimbursement of any sums advanced by L/C Issuer or any Lender in connection with any drawing presented to the L/C Issuer under a Letter of Credit together with interest thereon;

(c) the Credit Agreement, including, but not limited to, the payment of all accrued and unpaid Fees thereunder, and reimbursement of any sums advanced by Agent, a Lender or the L/C Issuer or which may otherwise be payable to, or recoverable by, Agent, a Lender or the L/C Issuer pursuant to the provisions of the Credit Agreement, as it may be amended, restated, modified or supplemented from time to time (the Credit Agreement, as it may be amended, restated, modified or supplemented from time to time is hereinafter referred to as the "Credit Agreement"), the terms and provisions of the Credit Agreement being specifically incorporated herein by reference thereto;

(d) this Collateral Assignment, including, but not limited to, reimbursement of any sums advanced by Agent, a Lender or the L/C Issuer or which may otherwise become payable to, or recoverable by, Agent, a Lender or L/C Issuer pursuant to the provisions of this Collateral Assignment, as it may be amended, restated, modified or supplemented from time to time (this Collateral Assignment, as it may be amended, restated, modified or supplemented from time to time is hereinafter referred to as the "Collateral Assignment");

(e) the other Loan Documents, including, but not limited to, the payment of all accrued and unpaid Fees thereunder, and reimbursement of any sums advanced by Agent, a Lender or the L/C Issuer or which may otherwise be payable to, or recoverable by, Agent, a Lender or the L/C Issuer pursuant to the other Loan Documents, as one or more may be amended, modified or supplemented from time to time (the other Loan Documents, as one or more may be amended, modified or supplemented from time to time are hereinafter referred to as the "Other Credit Documents"), the terms and provisions of the Other Credit Documents being

specifically incorporated herein by reference thereto;
and

(ii) all other liabilities, obligations, covenants, duties and Indebtedness of the Loan Parties to the Agent, the L/C Issuer and the Lenders of any and every kind and nature, however evidenced, and whether arising under this Security Agreement, the Notes, the Credit Agreement, this Collateral Assignment, the Other Credit Documents or the Transaction Documents, whether heretofore, now or hereafter owing, arising, due or payable from the Loan Parties to the Agent, the L/C Issuer or the Lenders;

Debtor hereby assigns and pledges to the Agent, for the benefit of Agent, Lenders and L/C Issuer, and their respective successors and assigns, and grants to the Agent, for the benefit of Agent, Lenders and L/C Issuer, and their respective successors and assigns, a perfected and continuing lien and security interest, prior to all other Liens, on and in all of Debtor's right, title and interest, powers, privileges, and other benefits under the Assigned Agreements and all amendments thereto, modifications thereof and substitutions therefor, including, without limitation, the immediate right to receive and collect all income, revenue, payments, proceeds, profits and other sums payable to or receivable by Debtor or to which Debtor is or shall become entitled thereunder, whether payable in cash or otherwise, and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of any default giving rise to a right in favor of Debtor, under any of the Assigned Agreements, and to do any and all other things whatsoever which Debtor is or may become entitled to do under any of the Assigned Agreements (the foregoing collectively the "Assigned Rights"). In furtherance of the foregoing assignment, Debtor hereby irrevocably authorizes and empowers Agent in its own name, or in the name of its nominee, or in the name of, or as attorney-in-fact for, Debtor, to ask, demand, sue for, collect and receive any and all payments to which Debtor is or may become entitled under any of the Assigned Agreements, and to enforce compliance by any party, to any Assigned Agreements by which that party is bound, with all or any of the terms and provisions of such Assigned Agreements.

1. This Collateral Assignment is executed only as security for the Secured Obligations of Debtor under and pursuant to the Agreement and, therefore, the execution and delivery of this Collateral Assignment shall not subject Agent, any Lender or the L/C Issuer, or transfer or pass to Agent, any Lender or the L/C Issuer, or in any way affect or modify, the liability of Debtor under any or all of the Assigned Agreements; it being understood and agreed that notwithstanding this Collateral

Assignment or any subsequent assignment, all of the obligations of Debtor to each and every other party under each and every one of the Assigned Agreements shall be and remain enforceable by such other party, its successors and assigns, against, but only against, Debtor or persons other than Agent, the Lenders and the L/C Issuer, and their respective successors and assigns.

2. Debtor represents and warrants to Agent (for the benefit of Agent, Lenders and L/C Issuer) that:

(a) the execution, delivery and performance of this Collateral Assignment does not require the consent or approval of any governmental authority and are not in contravention of, or in conflict with, any law, rule, regulation or order by which Debtor is bound;

(b) Debtor has, and has duly exercised, all requisite right, power and authority to enter into this Collateral Assignment, and to assign and pledge, and to grant liens and security interest upon and in, the Assigned Rights for the purposes set forth in this Collateral Assignment, and to carry out the transactions contemplated by this Collateral Assignment, and this Collateral Assignment constitutes a legal, valid and binding obligation of Debtor enforceable against Debtor in accordance with its terms;

(c) the execution and delivery of this Collateral Assignment are not, and the performance of this Collateral Assignment will not be, in contravention of, or in conflict with, any agreement, indenture or undertaking to which Debtor is a party or by which Debtor or any of its property are or may be bound or affected, subject, however, to the terms of the Assigned Agreements and applicable law, and do not and will not cause any security interest, lien or other encumbrance to be created or imposed or accelerated upon in connection with any such property, and neither the value of the Assigned Rights upon disposition thereof, nor the ability to freely transfer the Assigned Rights, is limited by any licenses, franchises, management agreement, leases, subleases or other general intangible or contract rights, to which Debtor is a party or which is otherwise applicable to Debtor or the Assigned Rights, except an Assigned Agreement;

(d) except for the security interest of the Agent (on behalf of Agent, Lenders and L/C Issuer) therein, (i) Debtor has not previously assigned, transferred, conveyed, sold, pledged or hypothecated any part of the Assigned Agreements; and (ii) Debtor is the owner of all the Assigned Rights, free from any Liens or other right, title or

interest of any other Person and, at its expense, Debtor shall generally warrant title to the Assigned Rights, and shall defend the Assigned Rights, and the right, title and interest of the Agent (for the benefit of Agent, L/C Issuer and Lenders) therein and thereto, against all claims and demands of any and all Persons whomsoever; Debtor shall not grant, create, incur or permit to exist any Lien on or in any of the Assigned Rights, other than the liens and security interests granted hereby or pursuant hereto; Debtor shall not permit any of the Assigned Rights to be levied upon under any legal process;

(e) except for the filing of this Collateral Assignment with the Interstate Commerce Commission (the "ICC") pursuant to Section 11303 of the Act and the filing of the applicable Uniform Commercial Code financing statements with the Secretary of State of the Commonwealth of Pennsylvania and the Office of the Prothonotary of Allegheny County, Pennsylvania, no filing, recording or registration of any financing statement or other document or instrument is or will be necessary or advisable in order to create in favor of the Agent for the benefit of the Lenders, the L/C Issuer and the Agent a valid prior perfected security interest in the Assigned Rights;

(f) there are no actions, suits or proceedings pending or, to the best knowledge of Debtor, threatened before any court or by or before any other federal, state or local governmental or public commission board, authority or agency, or any arbitrator, domestic or foreign, which if adversely determined could reasonably be expected to have a materially adverse effect on Debtor's ability to perform its obligations under this Collateral Assignment, or which call into question the validity of this Collateral Assignment;

(g) all licenses, permits, rights of way and other authorizations, consents and other filings required by law to be obtained or made in order to permit the transfer of the Assigned Rights hereunder have been obtained or made, where the failure to obtain any such license, permit, authorization or consent or make any such filing might have a material adverse effect on Debtor's ability to perform its obligations under this Collateral Assignment;

(h) there is no financing statement (or other evidence of lien or security interest including without limitation filings with the Interstate Commerce Commission) now on file in any public office covering any of the Assigned Agreements in which Debtor is named or signs as debtor or assignor;

(i) the Assigned Agreements are presently in full force and effect and binding upon all the parties thereto. No defaults or breaches, on the part of Debtor, or to the knowledge of Debtor on the part of any other Person, have occurred in such agreements, including, but not limited to, such defaults or breaches which would result in the reduction or termination of Debtor's interest in or the termination of the Assigned Agreements. Debtor has duly and punctually performed all and singular any and all material terms, covenants, conditions and warranties contained in the Assigned Agreements on its part to be kept, observed and performed. The Assigned Agreements described on Schedule 1 reflect the entire agreements governing the relationship between the parties thereto and no other written or oral agreements, amendments or modifications exist with regard to such Assigned Agreements and the Assigned Agreements provided to the Agent are true and correct copies of all agreements presently existing in connection with the relationships described in the Assigned Agreements;

(j) except as previously disclosed to Agent in writing, any of the amounts under the Assigned Agreements to which Debtor is entitled from and after the date of this Collateral Assignment has not been collected by Debtor and payment of such amounts has not otherwise been anticipated, waived, released, discounted, set off or otherwise discharged or compromised; and

(k) Debtor is not in default under the provisions of any of the Assigned Agreements as of the date of this Collateral Assignment.

3. To protect the security afforded by this Collateral Assignment, Debtor agrees as follows:

- (a) Debtor will faithfully abide by, perform and discharge each and every obligation, covenant, condition, duty and agreement under each of the Assigned Agreements;
- (b) Without the written consent of Agent, Debtor will not:
 - (i) anticipate any revenue due it under any Assigned Agreements;
 - (ii) waive, excuse, condone, forgive or in any manner release or discharge any other party to any Assigned Agreements from the obligations, covenants, condi-

tions, duties and agreements in any such agreement contained, if the consequences of such act would be to materially adversely affect the ability of Agent to collect (for the benefit of the Agent, the Lenders and the L/C Issuer) the accounts receivable arising thereunder or otherwise adversely affect Agent's interests therein; or

- (iii) amend, modify or otherwise change or terminate (other than in accordance with its terms) any Assigned Agreements, if the consequences of such an act would be to materially adversely affect Debtor's condition, financial or otherwise;
- (c) At Debtor's sole cost and expense, Debtor will appear in and defend any action or proceeding arising under, growing out of or in any manner connected with the obligations, covenants, conditions, duties, agreements or liabilities of Debtor under any of the Assigned Agreements;
- (d) Should Debtor fail to make any payment, do any act or refrain from any act which this Collateral Assignment requires Debtor to make, do or refrain from, respectively, then Agent may, but shall have no obligation to (and shall not thereby release Debtor from any obligation hereunder) make, do or prevent the same in such manner and to such extent as Agent may deem necessary or advisable to protect the security provided hereby, which rights of Agent shall specifically include, without limiting Agent's general powers herein granted, the right to appear in and defend any action or proceeding purporting to affect the security hereof and the rights or powers of Agent hereunder, and also the right to perform and discharge each and every one, or any one or more, of the obligations, covenants, conditions, duties and agreements of Debtor contained in any one or more of the Assigned Agreements; and in exercising any such powers, Agent may pay necessary or advisable costs and expenses, employ counsel and incur and pay reasonable attorneys' fees, and Debtor will reimburse Agent for such

costs, expenses and fees provided that the recourse of Agent against the Debtor for such payments shall be limited to the collateral granted to Agent by Debtor.

4. Subject to the provisions of paragraph 12 hereof, Debtor does hereby constitute Agent its true and lawful attorney, irrevocably, with full power, to ask, require, demand, receive, compound and give acquittance for each and every payment due or to become due, or any such payment or payments, under or arising out of any of the Assigned Agreements to which Debtor is or may become entitled, to enforce compliance by each or any other party with each or any term or provision of any one or more of the Assigned Agreements, to endorse each and every check or other instrument or order in connection therewith, or any one or more of them, and to file any claim or claims, take any action or actions or institute any proceeding or proceedings which Agent may deem to be necessary or advisable.

5. Upon the full discharge and satisfaction of each and every one of the Secured Obligations under and pursuant to the Credit Agreement, this Collateral Assignment, the Other Credit Documents and the other documents, instruments and agreements evidencing the Secured Obligations, including without limitation the termination of the Revolving Credit Commitment, all rights herein assigned to Agent shall terminate, and all estate, right, title and interest of Agent in and to each and every one of the Assigned Agreements shall revert to Debtor.

6. Debtor promptly shall notify Agent after Debtor enters into any lease agreement with any third party providing for the lease of any locomotive or locomotives held by Debtor where such locomotive or locomotives are intended for use by such third party in a manner relating to interstate commerce (each such lease agreement, an "Additional Assigned Agreement"). Upon request of Agent, Debtor shall promptly (i) deliver to Agent a copy of such Additional Assigned Agreement and (ii) execute and deliver a supplement to this Collateral Assignment, substantially in the form of Exhibit "A" attached hereto and made a part hereof, with appropriate insertions therein (each such supplement, a "Supplemental Collateral Assignment").

7. Upon the request of Agent at any time after the execution of this Collateral Assignment, the Debtor agrees to establish a lockbox arrangement with the Agent and to execute and deliver to Agent one or more lockbox agreements (collectively, the "Lockbox Agreement"), each in form and substance satisfactory to Agent and its counsel. Debtor agrees (i) to promptly notify and direct all lessees of Assigned Agreements (each, a "Lessee", collectively, the "Lessees") to remit all payments due under an

Assigned Agreement directly to the lockbox or lockboxes established under the Lockbox Agreement and (ii) upon the occurrence of a Default or an Event of Default and the request of the Agent, to promptly notify all Lessees of the assignment and pledge to the Agent (for the benefit of Agent, L/C Issuer and Lenders) of, and the grant to the Agent (for the benefit of Agent, L/C Issuer and Lenders) of liens and security interests upon and in, the Assigned Rights. To the extent that any law or custom or any contract or agreement with any Lessee requires notice to or the approval of such Lessee in order to perfect such assignment of and security interest in the Assigned Rights, the Debtor agrees to give such notice or obtain such approval promptly. If the Agent learns that the Debtor has failed to give such notice or direction to any of the Lessees, then the Agent may itself so notify the Lessees (or any of them). This Collateral Assignment shall be sufficient evidence of such right and the Lessees may rely hereon and shall be under no obligation to see to the application of such moneys or other property by the Agent. The Agent is, and its duly authorized agents are, hereby authorized by the Debtor to endorse for and on the Debtor's behalf and deposit all drafts and checks payable to the Debtor in the lockbox established pursuant to the Lockbox Agreement.

All checks, drafts, acceptances, notes, cash and other forms of payment received from Lessees in payment on account of Assigned Agreements and transmitted to the lockbox established pursuant to the Lockbox Agreement or otherwise to the Agent will be deposited in a cash collateral account opened and maintained pursuant to the Lockbox Agreement. The Debtor acknowledges and agrees that the cash collateral account will be maintained for the convenience and benefit of the Agent (for the benefit of Agent, L/C Issuer and Lenders) and that the Debtor does not, and shall not, have any rights or interest in the cash collateral account or the lockbox account established pursuant to the Lockbox Agreement, or any credits thereto or proceeds thereof, except as set forth in the Lockbox Agreement and the Credit Agreement.

8. Debtor will, from time to time, do and perform any other act or acts and will execute, acknowledge, deliver and file, register, record and deposit (and will refile, reregister, rerecord, and redeposit whenever required) any and all further instruments required by law or requested by Agent in order to confirm, or further assure, the interest of Agent hereunder.

9. In any event wherein Agent shall convey or assign its rights as agent for the benefit of the Lenders and the L/C Issuer under or pursuant to the Credit Agreement to any successor or assign, Agent may assign all or any of the rights assigned to it hereby, or arising under any of the Assigned Agreements,

including, without limitation, the right to receive (for the benefit of the Agent, the Lenders and the L/C Issuer) any or all payments due or to become due. In the event of any such assignment, any successor or assign of Agent shall enjoy all rights and privileges and be subject to all obligations of Agent hereunder. Agent will give written notice to Debtor of any such assignment.

10. This Collateral Assignment shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, except to the extent controlled by Federal law.

11. Debtor shall cause a copy of each and every notice or communication received from any other party to any Assigned Agreements, notifying Debtor of any default, event of default, breach or other violation, on the part of Debtor under any of the Assigned Agreements, to be promptly delivered to Agent in the manner and at the place provided for in the Credit Agreement for the giving of notices and communications thereunder, or at such other address or in such other manner as Agent shall designate.

12. Agent hereby agrees with Debtor that, so long as both (a) no Default shall exist under or with respect to the Credit Agreement and (b) Debtor shall not be in default of any of its obligations, covenants, agreements or duties hereunder, Agent will not exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits assigned or transferred to Agent (for the benefit of the Agent, the Lenders and the L/C Issuer) by Debtor under, pursuant to or by this Collateral Assignment.

13. Upon the request of Agent from time to time after the date hereof, Debtor shall obtain from each Lessee with respect to an Assigned Agreement, an agreement, in writing and executed and delivered by such Lessee in favor of Agent (on behalf of Agent, Lender and L/C Issuer), wherein such Lessee (i) consents to the assignment by Debtor of its rights in such Assigned Agreement to Agent (on behalf of Agent, Lender and L/C Issuer); (ii) agrees to give to Agent all notices required to be given by such Lessee to Debtor under such Assigned Agreement; (iii) acknowledges Agent's right to succeed to all of Debtor's interest under such Assigned Agreement upon Agent's exercise of its rights under this Collateral Assignment or otherwise; and (iv) agrees to be bound to Agent under all the terms and conditions of such Assigned Agreement upon such succession by Agent, with the same force and effect as if Agent were the lessor under such Assigned Agreement, and to attorn to Agent as its lessor, said attornment to be effective and self-operative

immediately upon such succession, without any further action required.

14. The Debtor agrees that neither the Agent nor any of its agents, designees or attorneys-in-fact will be liable for any acts of commission or omission, or for any error of judgment or mistake of fact or law in respect to the exercise of the powers of attorney granted under this Collateral Assignment, except that the Agent shall be liable for the acts of commission or omission of the Agent, its agents, designees and attorneys-in-fact that constitute recklessness or willful misconduct. The powers of attorney granted under this Collateral Assignment are coupled with an interest and shall be irrevocable until all Secured Obligations are paid and performed in full and until the Revolving Credit Commitment is terminated.

15. No waiver by the Agent of any default shall operate as a waiver of any other default or of the same default on a future occasion. No failure or delay on the part of the Agent in the exercise of any power, remedy or right shall operate as a waiver thereof, nor shall any single or partial exercise of any power, remedy or right preclude other or further exercise thereof, or the exercise of any other power, remedy or right. The Agent may assert any of its powers, rights or remedies successively, concurrently, independently or cumulatively and all such powers, rights and remedies shall be non-exclusive.

16. Any requirement of law as to reasonable notification of the time and place of any public sale, or of the time after which any private sale or other intended disposition of the Assigned Agreements is to be made, shall be met by giving the Debtor at least five (5) days' prior written notice of the time and place of any such public sale or the time after which any such private sale or any other intended disposition is to be made.

17. The Agent, L/C Issuer or any Lender may have or in the future may hold other security and/or guaranties to secure all or any part of the Secured Obligations, but it is specifically understood and agreed that neither the execution and delivery of this Collateral Assignment nor the holding of any other security and/or guaranty shall at any time or in any wise operate to prevent or hinder the Agent, L/C Issuer or any Lender from resorting first to such other security and/or guaranty or first to the Assigned Rights, or first from time to time to both; and the Agent (on behalf of Agent, Lenders and L/C Issuer) may from time to time as the Agent sees fit, in the Agent's sole and uncontrolled discretion, resort to all or any part of the Assigned Rights without resorting to all or any other security and/or guaranty securing such Secured Obligations, or to all or

any part of any other security and/or guaranty securing the Secured Obligations without resorting to all or any part of the Assigned Rights, and such action on the Agent's part shall not in any wise be considered as a waiver of any of the benefits or rights of the Agent relating to the Assigned Rights or such other security and/or guaranties.

18. This Collateral Assignment shall be binding upon the Debtor and the successors and assigns of the Debtor, and shall inure to the benefit of the Agent, Lenders and L/C Issuer, and their respective successors and assigns.

19. Whenever possible each provision of this Collateral Assignment shall be interpreted in such manner as to be effective and valid under applicable law but if any provision of this Collateral Assignment or any part of such provision shall be prohibited by or invalid under applicable law, such provision or part thereof shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Collateral Assignment.

20. THIS COLLATERAL ASSIGNMENT, THE OTHER CREDIT DOCUMENTS AND OTHER AGREEMENTS, DOCUMENTS AND INSTRUMENTS EVIDENCING OR SECURING THE SECURED OBLIGATIONS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, EXCEPTING APPLICABLE FEDERAL LAW AND EXCEPT ONLY TO THE EXTENT PRECLUDED BY THE MANDATORY APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

21. All capitalized terms used herein which are defined in the Agreement shall have the meanings therein given to them.

22. Whenever required by the context of this Collateral Assignment the singular shall include the plural, and vice-versa, and the masculine and feminine genders shall include the neuter gender, and vice-versa.

23. This Collateral Assignment may be executed in as many counterparts as shall be convenient, each of which when executed by the parties hereto shall be regarded as an original.

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All such counterparts shall constitute but one and the same instrument.


IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed with intent to be legally bound hereby, all as of the date first above written.

DEBTOR

Attest: (Seal)


MK RAIL CORPORATION, a
Delaware corporation

By 
Name THOMAS J. REINECKE.
Title EXECUTIVE VICE PRESIDENT

By 
Name JAMES F. CLEARY, JR.
Title EXECUTIVE VICE PRESIDENT -
FINANCE AND ADMINISTRATION

SECURED PARTY

PNC BANK, NATIONAL
ASSOCIATION, as Agent for L/C
Issuer and the Lenders

By 
Name GREGORY A. STEVE
Title COMMERCIAL BANKING OFFICER

BF 24666.2
02/16/95:4
000011 - 008329

CERTIFICATE OF ACKNOWLEDGEMENTS

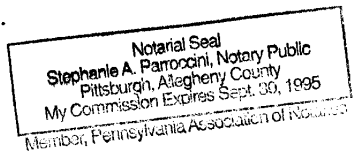
COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF Allegheny)

SS:

On this 16th day of February, 1995, before me, a Notary Public, the undersigned officer, personally appeared JAMES F. CEFLEY, JR., who acknowledged himself ~~himself~~ to be the EXECUTIVE VICE PRESIDENT of MK RAIL CORPORATION, a Delaware corporation, and that he ~~she~~ as such EX. VICE PRESIDENT, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation by himself ~~himself~~ as EX. VICE PRESIDENT.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



[Signature]

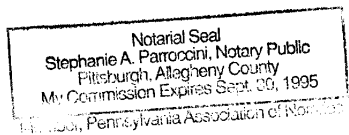
COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF Allegheny)

SS:

On this 16th day of February, 1995 officer, personally appeared BRENNY A. STEVE who acknowledged himself ~~himself~~ to be the COMMERCIAL BANKING OFFICER of PNC Bank, National Association, a national banking association and that he as such CBO, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation, as agent as above described, by himself as CBO.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



[Signature]

Schedule 1

To Collateral Assignment and Agreement
Dated February 17, 1995

1. Locomotive Lease Agreement dated January 26, 1995 by and between MK Rail Corporation, a Delaware corporation and Canadian American Company, a Maine Corporation, concerning the lease of five (5) locomotives.
2. Agreement to be entered into between MK Rail Corporation, a Delaware corporation and MK Rail de Mexico, a Mexican corporation, concerning the lease of thirty-three (33) locomotives for use in Mexico.
3. Locomotive Lease Agreement dated April 1, 1994 by and between MK Rail Corporation, a Delaware corporation and The Achison, Topeka and Santa Fe Railway Company, a Delaware corporation, concerning the lease of thirty-four (34) locomotives.
4. Locomotive Lease Agreement by and between MK Rail Corporation, a Delaware corporation and The Achison, Topeka and Santa Fe Railway Company, a Delaware corporation, concerning the lease of ten (10) locomotives.
5. Locomotive Lease Agreement dated May 1, 1991 between Morrison Knudsen Corporation, an Ohio corporation ("MKC") and Utah Railway Company, a Utah corporation, which Locomotive Lease Agreement was assigned by MKC to MK Rail Corporation, a Delaware corporation ("MK Rail") pursuant to a Transfer Agreement dated as of February 25, 1994, by and between MKC and MK Rail, but only insofar as such Locomotive Lease Agreement pertains to the following locomotives:

MKCX 5531
URC 9012

SCHEDULE 2

To Collateral Assignment and Agreement

February 17, 1995

Description of Locomotives (84 Locomotives Total)

Status Key

- A = Leased to Canadian American Company (Bangor and Aroostook)
B = Leased or to be leased to MK Rail de Mexico (MK Gain)
C = Leased to The Achison, Topeka & Santa Fe Railway Company
D = Leased to The Utah Railway Company

	<u>Type (Model)</u>	<u>A.A.R. Designation</u>	<u>Road No.</u>	<u>Serial No.</u>	<u>Lease Status</u> (See Key Above)
1	Model GP40 Locomotive	D115	MKCX 4301	34852	A
2	Model GP40 Locomotive	D115	MKCX 4302	36170	A
3	Model GP40 Locomotive	D115	MKCX 4303	37193	A
4	Model GP40 Locomotive	D115	MKCX 4304	31797	A
5	Model GP40 Locomotive	D115	MKCX 4305	38567	A
6	Model SD40 Locomotive	D125	MKCX 9402	32097	B
7	Model SD40-2 Locomotive	D125	MKCX 9408	32422	B
8	Model SD40 Locomotive	D125	MKCX 9409	37651	B

	<u>Type (Model)</u>	<u>A.A.R. Designation</u>	<u>Road No.</u>	<u>Serial No.</u>	<u>Lease Status</u> (See Key Above)
9	Model SD40 Locomotive	D125	MKCX 9410	37652	B
10	Model SD40 Locomotive	D125	MKCX 9413	31951	B
11	Model SD40 Locomotive	D125	MKCX 9414	37144	B
12	Model SD40 Locomotive	D125	MKCX 9416	36810	B
13	Model SD40 Locomotive	D125	MKCX 9417	36816	B
14	Model SD40 Locomotive	D125	MKCX 9419	34968	B
15	Model SD45 Locomotive	D126	MKCX 9504	33868	B
16	Model SD45 Locomotive	D126	MKCX 9506	33849	B
17	Model SDP45 Locomotive	D226	MKCX 9510	36659	B
18	Model SDP45 Locomotive	D226	MKCX 9511	36660	B
19	Model SDP45 Locomotive	D226	MKCX 9515	36882	B
20	Model SDP45 Locomotive	D226	MKCX 9516	36885	B
21	Model SD45 Locomotive	D126	MKCX 9518	34167	B
22	Model SD45 Locomotive	D126	MKCX 9520	37722	B
23	Model SD45 Locomotive	D126	MKCX 9521	37725	B
24	Model SD45 Locomotive	D126	MKCX 9522	37726	B
25	Model SD45 Locomotive	D126	MKCX 9523	37729	B
26	Model SD45 Locomotive	D126	MKCX 9524	37734	B
27	Model SD45 Locomotive	D126	MKCX 9525	37735	B
28	Model SD45 Locomotive	D126	MKCX 9526	33657	B
29	Model SD45 Locomotive	D126	MKCX 9527	38366	B

	<u>Type (Model)</u>	<u>A.A.R. Designation</u>	<u>Road No.</u>	<u>Serial No.</u>	<u>Lease Status</u> (See Key Above)
30	Model SD45 Locomotive	D126	MKCX 9528	35478	B
31	Model SD45 Locomotive	D126	MKCX 9530	37124	B
32	Model SD45 Locomotive	D126	MKCX 9532	35489	B
33	Model SD45 Locomotive	D126	MKCX 9534	35525	B
34	Model SD45 Locomotive	D126	MKCX 9535	32515	B
35	Model SD45 Locomotive	D126	MKCX 9536	32553	B
36	Model SD45 Locomotive	D126	MKCX 9538	32085	B
37	Model SD45 Locomotive	D126	MKCX 9539	32069	B
38	Model SD45 Locomotive	D126	MKCX 9541	32532	B
39	Model SD45 Locomotive	D126	ATSF 5348	32543	C
40	Model SD45 Locomotive	D126	ATSF 5353	32540	C
41	Model SD45 Locomotive	D126	ATSF 5356	32062	C
42	Model SD45 Locomotive	D126	ATSF 5357	32536	C
43	Model SD45 Locomotive	D126	ATSF 5359	32519	C
44	Model SD45 Locomotive	D126	ATSF 5361	32067	C
45	Model SD45 Locomotive	D126	ATSF 5365	32512	C
46	Model SD45 Locomotive	D126	ATSF 5366	32508	C
47	Model SD45 Locomotive	D126	ATSF 5367	32534	C
48	Model SD45 Locomotive	D126	ATSF 5369	32083	C
49	Model SD45 Locomotive	D126	ATSF 5370	32082	C
50	Model SD45 Locomotive	D126	ATSF 5371	32497	C

SUPPLEMENT NO. ____ TO COLLATERAL ASSIGNMENT
AND AGREEMENT

SUPPLEMENT NO. ____ TO COLLATERAL ASSIGNMENT AND AGREEMENT dated as of _____, 199__ (this "Supplemental Collateral Assignment") to the Collateral Assignment and Agreement dated as of February __, 1995 (as amended, supplemented or otherwise modified from time to time prior to the date hereof, the "Initial Collateral Assignment"), between MK RAIL CORPORATION, a Delaware corporation (the "Debtor") and PNC BANK, NATIONAL ASSOCIATION, as agent (in such capacity, the "Agent") for the Lenders and the L/C Issuer (as such terms are defined in the Initial Collateral Assignment).

R E C I T A L S:

WHEREAS, all undefined terms used herein shall have the respective meanings set forth therefor in the Initial Collateral Assignment; and

WHEREAS, subject to the terms and provisions of the Initial Collateral Assignment, the Debtor agreed to execute and deliver from time to time Supplemental Collateral Assignments substantially in the form hereof with respect to lease agreements relating to locomotives held by Debtor for lease to third parties and not previously described on a schedule to the Initial Collateral Assignment; and

WHEREAS, Debtor is the owner of __ locomotives (such locomotives as described in more detail on Supplemental Schedule 2 attached hereto and made a part hereof) which Debtor has leased, or intends to lease, pursuant to one or more lease agreements (such lease agreements, as described in more detail on Supplemental Schedule 1 attached hereto and made a part hereof, are herein referred to as the "Additional Assigned Agreements"); and

WHEREAS, Mortgage desires to execute and deliver this Supplemental Collateral Assignment for the purpose of describing and subjecting the Additional Assigned Agreements to the lien of the Initial Collateral Assignment in favor of Agent (on behalf of Agent, Lenders and the L/C Issuer).

NOW THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Schedule 1 to the Initial Collateral Assignment is hereby supplemented by adding thereto as of _____, 199__ the Additional Assigned Agreements described on Supplemental Schedule 1 hereto. Schedule 2 to the Initial Collateral

	<u>Type (Model)</u>	<u>A.A.R. Designation</u>	<u>Road No.</u>	<u>Serial No.</u>	<u>Lease Status</u> (See Key Above)
72	Model F45 Locomotive	D126	ATSF 5989	34075	C
73	Model SD45 Locomotive	D126	ATSF 5349	32562	C
74	Model SD45 Locomotive	D126	ATSF 5355	32524	C
75	Model SD45 Locomotive	D126	ATSF 5358	32509	C
76	Model SD45 Locomotive	D126	ATSF 5364	32535	C
77	Model SD45 Locomotive	D126	ATSF 5368	32531	C
78	Model SD45 Locomotive	D126	ATSF 5374	36499	C
79	Model F45 Locomotive	D126	ATSF 5957	34043	C
80	Model F45 Locomotive	D126	ATSF 5977	34063	C
81	Model F45 Locomotive	D126	ATSF 5983	34069	C
82	Model F45 Locomotive	D126	ATSF 5985	34071	C
83	Model F45 Locomotive	D126	MKCX 5531	34046	D
84	Model SD45M - 2 Locomotive	D126	URC 9012	7391-1	D

	Type (Model)	A.A.R. Designation	Road No.	Serial No.	Lease Status (See Key Above)
51	Model SD45 Locomotive	D126	ATSF 5372	32495	C
52	Model SD45 Locomotive	D126	ATSF 5373	36500	C
53	Model SD45 Locomotive	D126	ATSF 5375	36491	C
54	Model SD45 Locomotive	D126	ATSF 5376	36493	C
55	Model SD45 Locomotive	D126	ATSF 5501	32557	C
56	Model F45 Locomotive	D126	ATSF 5951	34037	C
57	Model F45 Locomotive	D126	ATSF 5954	34040	C
58	Model F45 Locomotive	D126	ATSF 5961	34047	C
59	Model F45 Locomotive	D126	ATSF 5964	34050	C
60	Model F45 Locomotive	D126	ATSF 5966	34052	C
61	Model F45 Locomotive	D126	ATSF 5967	34053	C
62	Model F45 Locomotive	D126	ATSF 5971	34057	C
63	Model F45 Locomotive	D126	ATSF 5973	34059	C
64	Model F45 Locomotive	D126	ATSF 5974	34060	C
65	Model F45 Locomotive	D126	ATSF 5978	34064	C
66	Model F45 Locomotive	D126	ATSF 5979	34065	C
67	Model F45 Locomotive	D126	ATSF 5980	34066	C
68	Model F45 Locomotive	D126	ATSF 5984	34070	C
69	Model F45 Locomotive	D126	ATSF 5986	34072	C
70	Model F45 Locomotive	D126	ATSF 5987	34073	C
71	Model F45 Locomotive	D126	ATSF 5988	34074	C

Assignment is hereby supplemented to include the locomotive identification information set forth on Supplemental Schedule 2 hereto.

2. Effective on the date hereof, the Debtor's right, title and interest in and to (i) the Additional Assigned Agreements described on Supplemental Schedule 1 attached hereto, (ii) all rents, revenues, issues, profits and proceeds arising from the sale, lease, license, encumbrance, collection or any other temporary or permanent disposition or encumbrance of the collateral listed in items (i) of this paragraph 2 (or any part thereof) or any interest therein, (iii) all products, substitutions, renewals and improvements to, of or for any of the collateral listed in items (i) and (ii) of this paragraph 2, and (iv) all proceeds (including any claims or insurance thereunder) of or for any of the collateral listed in items (i) through (iii) of this paragraph 2 are deemed included in the Assigned Agreements and are subjected to the lien, encumbrance and mortgage created by the Collateral Assignment.

3. This Supplemental Collateral Assignment shall be construed in connection with and as part of the Initial Collateral Assignment; and the Initial Collateral Assignment is hereby modified to include this Supplemental Collateral Assignment, and all terms, conditions, representations, warranties, covenants and agreements set forth therein, except as herein modified, are hereby confirmed and ratified (including without limitations the representations and warranties of Debtor set forth in paragraph 6 of the Initial Collateral Assignment) and shall remain in full force and effect, except that such terms, conditions, representations, warranties, covenants and agreements shall be deemed to extend to and include this Supplemental Collateral Assignment. From this date any references to the "Collateral Assignment" and "Assigned Agreement(s)" shall be deemed to be references to such terms as amended or supplemented in connection with this Supplemental Collateral Assignment.

4. THIS SUPPLEMENTAL COLLATERAL ASSIGNMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, EXCEPTING APPLICABLE FEDERAL LAW AND EXCEPT ONLY TO THE EXTENT PRECLUDED BY THE MANDATORY APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

5. This Supplemental Collateral Assignment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same Supplemental Collateral Assignment.

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement No. ___ to Collateral Assignment and Agreement to be duly executed and delivered as of the date and year first above written.

ATTEST: (SEAL)

DEBTOR:

MK RAIL CORPORATION, a
Delaware corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Agreed and Accepted this ___ day
of _____, 199__:

PNC BANK, NATIONAL ASSOCIATION, as
Agent for Lenders and L/C Issuer

By: _____
Name: _____
Title: _____

BF 24878.1
02/9/95:1
0011-08329

Supplemental Schedule 1 to Supplement No. _____
To Collateral Assignment and Agreement

ADDITIONAL ASSIGNED AGREEMENTS

BF 24878.1

Supplemental Schedule 2 to Supplement No. _____
To Collateral Assignment and Agreement

Description of Locomotives (Units):

<u>Type</u>	<u>ARR Mechanical Designation</u>	<u>Number of Units</u>
[Model _____ _____ Locomotives]	Locomotives	_____

Identifying Marks and Road Serial Numbers

CERTIFICATE OF ACKNOWLEDGEMENTS

COMMONWEALTH OF PENNSYLVANIA

)
)

SS:

COUNTY OF _____

)

On this _____ day of _____, 1995, before me, a
Notary Public, the undersigned officer, personally appeared
_____, who acknowledged
himself/herself to be the _____ of MK RAIL
CORPORATION, a Delaware corporation, and that he/she as such
_____, being authorized to do so, executed the
foregoing instrument for the purposes therein contained by signing the
name of the Corporation by himself/herself as
_____.

IN WITNESS WHEREOF, I hereunto set my hand and
official seal.

COMMONWEALTH OF PENNSYLVANIA

)
)

SS:

COUNTY OF _____

)

On this _____ day of _____, 1995 officer,
personally appeared _____ who acknowledged
himself/herself to be the _____ of PNC Bank, National
Association, a national banking association and that he as such
_____, being authorized to do so, executed the
foregoing instrument for the purposes therein contained by signing the
name of the Corporation, as agent as above described, by himself as
_____.

IN WITNESS WHEREOF, I hereunto set my hand and
official seal.
